

**BERRIEN SPRINGS - ORONOKO TOWNSHIP**

**POLICE DEPARTMENT**

**FINANCIAL REPORT**

**December 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name B.S. ORONOKO TOWNSHIP POLICE	County BERRIEN
Fiscal Year End DECEMBER 31, 2006	Opinion Date FEBRUARY 22, 2007	Date Audit Report Submitted to State April 11, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.		Telephone Number		
Street Address 830 PLEASANT ST, P.O. BOX 44		City ST. JOSEPH	State MI	Zip 49085
Authorizing CPA Signature <i>Robert L. Gerbel CPA</i>		Printed Name ROBERT L. GERBEL		License Number 3953

**BERRIEN SPRINGS - ORONOKO TOWNSHIP**

**POLICE DEPARTMENT**

**FINANCIAL REPORT**

**December 31, 2006**

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## BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Berrien Springs Oronoko Township Police Department ("BSOTPD") financial performance for the year ended December 31, 2006. Please read it in conjunction with financial statements following this section. BSOTPD was a joint venture between Oronoko Township and the Village of Berrien Springs. BSOTPD was managed by the Police Commission with three members appointed by Oronoko Township and two members appointed by the Village of Berrien Springs until November 2006. In November 2006, the Oronoko Township Board voted to terminate the mutual police assistance agreement with the Village of Berrien Springs and take over the responsibility for police protection and services.

### **Financial Highlights**

- The assets of BSOTPD exceeded its liabilities at the close of the fiscal year by \$1,143,619 (net assets). Of this amount, \$1,143,619 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, BSOTPD's governmental fund reported an ending fund balance of \$355,181, an increase of \$33,507 in comparison with the prior year. Approximately 100% of the total amount, \$355,181 is available for spending at the government's discretion (unreserved fund balance).

### **Overview of the Financial Statements**

The discussion and analysis is an introduction to the BSOTPD's basic financial statements. BSOTPD's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statement's focus is on both BSOTPD as a whole (government-wide) and on the major individual funds. Both perspectives allow users to address relevant questions, broaden a basis for comparison and enhance BSOTPD's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the BSOTPD's finances, in a manner similar to a private-sector business. The Statement of Net Assets and the Statement of Activities are two financial statements that should help answer the question: Is BSOTPD, as a whole, better off or worse off as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

The Statement of Net Assets presents information on all of BSOTPD's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in net assets may serve as a useful indicator of whether BSOTPD's financial position is improving or deteriorating.

The Statement of Activities presents information showing how BSOTPD's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The BSOTPD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. BSOTPD only has a governmental fund.

#### *Governmental Funds:*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

BSOTPD adopts an annual appropriated budget for its general fund. It is prepared by the management of BSOTPD and approved by the Police Commission. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of BSOTPD, assets exceeded liabilities by \$1,143,619 at the close of the most recent fiscal year. By far the most significant portion of BSOTPD's net assets (70 %) reflects its taxes receivable.

**Berrien Springs Oronoko Township Police Department's Net Assets**

	<u>Governmental</u>	<u>Activities</u>
	Current Year	Prior Year
	<u>Total</u>	<u>Total</u>
Cash	\$ 381,046	\$ 339,482
Due from Oronoko Charter Township	225,917	305,219
Taxes receivable	583,282	447,495
Note receivable	55	55
Other receivable	21	0
Total Current Assets	<u>1,190,321</u>	<u>1,092,251</u>
Noncurrent liabilities	20,637	20,639
Other liabilities	<u>26,065</u>	<u>17,863</u>
Total liabilities	<u>46,702</u>	<u>38,502</u>
Net assets:		
Unrestricted	<u>1,143,619</u>	<u>1,053,749</u>
Total net assets	<u>\$ 1,143,619</u>	<u>\$ 1,053,749</u>

The unrestricted net assets \$1,143,619 may be used to meet BSOTPD's ongoing obligations to citizens and creditors.

BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Berrien Springs Oronoko Township Police Department's Change in Net Assets**

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
	<u>Total</u>	<u>Total</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 9,360	\$ 9,737
Operating grants and contributions	1,663	7,266
General Revenues:		
Property taxes	807,889	752,044
Interest and investment earnings	22,710	15,559
Other	<u>5,753</u>	<u>31,763</u>
Total Revenues	<u>847,375</u>	<u>816,369</u>
Expenses:		
Public safety	<u>757,505</u>	<u>759,501</u>
Total Expenses	<u>757,505</u>	<u>759,501</u>
Change in Net Assets	89,870	56,868
Net Assets – Beginning of Year	<u>1,053,749</u>	<u>996,881</u>
Net Assets – End of Year	<u>\$1,143,619</u>	<u>\$1,053,749</u>

*Governmental Activities:*

Governmental activities increased BSOTPD's net assets by \$89,870. A key element of this increase was the increase in property taxes for BSOTPD.

**Financial Analysis of the Township's Funds**

As BSOTPD completed the year, its governmental fund reported a balance of \$355,181. Of this amount, \$355,181 (100%) was unreserved fund balance, which is available for appropriations for the general purpose of the fund.

*General Fund*

The General Fund is the only operating fund of BSOTPD. At the end of the current fiscal year, the unreserved fund balance was \$355,181. The total fund balance increased by \$33,507.

BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

The difference between the original budget and the final amended budget for revenues and expenditures was \$0. BSOTPD's final amended budget for revenues was \$789,100 and the actual was \$791,011. Also, BSOTPD did have a difference between the final amended budget for expenditures of \$789,100 and the actual expenditures of \$757,504 (4%).

**Capital Asset and Debt Administration**

*Capital Assets:*

BSOTPD's capital assets are owned collectively by Oronoko Township and the Village of Berrien Springs. This investment in capital assets includes: furniture, equipment, and vehicles.

*Long-term Debt:*

At the end of the current fiscal year BSOTPD had no debt.

**Economic Condition and Outlook**

BSOTPD is operated primarily by a millage for taxes by Oronoko Township. The millage was passed in 2006 for years 2006-2008 at four mills.

**Requests for Information**

This financial report is designed to provide a general overview of BSOTPD finances for all those with an interest in the finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Supervisor  
Oronoko Township-BSOTPD  
4583 E Snow Road  
PO Box 214  
Berrien Springs, MI 49103



# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

February 22, 2007

## INDEPENDENT AUDITOR'S REPORT

To The Police Commission  
Berrien Springs - Oronoko Township  
Police Department  
Berrien Springs, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Berrien Springs - Oronoko Township Police Department, as of and for the year ended December 31, 2006, which collectively comprise the Police Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Police Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through V, and page 13 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berrien Springs - Oronoko Township Police Department's basic financial statements. The comparative statement of revenues, expenditures, and changes in fund balances is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The comparative statement of revenues, expenditures, and changes in fund balances has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gerbel & Company, P.C.*

**Right. On time.**

**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Statement of Net Assets  
December 31, 2006**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 381,046
Due Township tax collection fund	225,917
Taxes receivable	583,282
Note receivable	55
Other receivable	<u>21</u>
 TOTAL ASSETS	 <u>\$ 1,190,321</u>
 <b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 8,400
Payroll liabilities	<u>17,665</u>
 Total Current Liabilities	 <u>\$ 26,065</u>
 <b>Noncurrent Liabilities</b>	
Compensated absences	<u>\$ 20,637</u>
 Total Noncurrent Liabilities	 <u>\$ 20,637</u>
 Total Liabilities	 <u>\$ 46,702</u>
 <b>Net Assets</b>	
Unrestricted	<u>\$ 1,143,619</u>
 Total Net Assets	 <u>\$ 1,143,619</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,190,321</u>

**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Statement of Activities  
For the Year Ended December 31, 2006**

Functions/Programs	<u>Program Revenues</u>			<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Public safety	\$ 757,505	\$ 9,360	\$ 1,663	\$ (746,482)
Total Governmental Activities	<u>\$ 757,505</u>	<u>\$ 9,360</u>	<u>\$ 1,663</u>	<u>\$ (746,482)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operations				\$ 807,889
Interest and investment earnings				22,710
Other				<u>5,753</u>
Total General Revenues				<u>\$ 836,352</u>
Change In Net Assets				\$ 89,870
Net Assets, Beginning of Year				<u>1,053,749</u>
NET ASSETS, END OF YEAR				<u>\$ 1,143,619</u>

**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Governmental Fund - Balance Sheet  
December 31, 2006**

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 381,046
Due from Oronoko Charter Township	225,917
Taxes receivable	583,282
Note receivable	55
Other receivable	<u>21</u>
 TOTAL ASSETS	 <u>\$ 1,190,321</u>
 <b>Liabilities and Fund Equity</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 8,400
Payroll liabilities	17,665
Deferred revenue	<u>809,075</u>
 Total Liabilities	 <u>\$ 835,140</u>
 <b>Fund Equity:</b>	
Unreserved	<u>355,181</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,190,321</u>

**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
For the Year Ended December 31, 2006**

Fund balances of governmental funds	\$ 355,181
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	(20,637)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>809,075</u>
Net assets of governmental activities	<u>\$ 1,143,619</u>

**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Governmental Funds  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
For the Year Ended December 31, 2006**

	<b>General Fund</b>
<b>Revenues:</b>	
Taxes	\$ 751,527
Interest	22,710
Police service reimbursements	1,373
Fines	585
Liquor license	2,517
Safe and sober	289
Drug forfeiture	928
Miscellaneous	<u>11,082</u>
Total Revenues	<u>\$ 791,011</u>
<b>Expenditures:</b>	
Salaries	\$ 430,432
Payroll taxes	31,243
Fringe benefits	93,531
Retirement	27,265
Workmen's compensation	10,786
Supplies	5,010
Uniforms and cleaning	7,785
Audit	4,105
Bookkeeping	6,484
Legal	10,804
Dues and subscriptions	4,212
Telephone	7,323
Gasoline and oil	27,133
Travel	2,591
Conference and workshops	5,814
Printing and publishing	305
Insurance	34,558
Utilities	5,973
Repairs and maintenance - building	3,936
Repairs and maintenance - equipment	20,555
Capital outlay	14,602
Miscellaneous	<u>3,057</u>
Total Expenditures	<u>\$ 757,504</u>
Net Change in Fund Balances	\$ 33,507
Fund Balances - Beginning of Year	<u>321,674</u>
FUND BALANCES - END OF YEAR	<u>\$ 355,181</u>

**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2006**

Net change in fund balances - total governmental funds	\$ 33,507
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Amounts reported for *governmental activities* in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>56,363</u>
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Change in net assets of governmental activities	<u>\$ 89,870</u>
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**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Notes to Financial Statements  
December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by Berrien Springs - Oronoko Township Police Department conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

**A. Scope of Reporting Entity**

The Police Department is a joint venture between Oronoko Charter Township and the Village of Berrien Springs and is governed by an appointed five-member Board.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Police Department. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All of the Department's activities are classified as governmental activities.

**C. Measurement Focus, Basis of Accounting, and Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.



**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Notes to Financial Statements  
December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Police Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Police Department.

Berrien Springs - Oronoko Township Police Department reports the following major governmental fund:

The **General Fund** is the Police Department's primary operating fund. It accounts for all financial resources of the department.

**D. Capital Assets**

Fixed assets acquired by the Berrien Springs - Oronoko Township Police Department are the property of the respective governmental units of the Police Department. These assets are accounted for in the government-wide statement of net assets of each local unit involved.

**E. Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP**  
**POLICE DEPARTMENT**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Short-term Investments** - The Township is authorized to invest in certificates of deposit, savings accounts and deposit accounts. The Township is also authorized to invest in bonds, securities, and other obligations of the United States, or an agency whose principal and interest is fully guaranteed by the United States. The Township is authorized to invest in commercial paper within the two highest classifications and maturities not more than 270 days after the date of purchase. Act 217, PA 1982 states that the Township's deposits, which include cash and certificates of deposits, are carried at cost and must be invested in accounts of federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the associations and bonds and other obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Township's deposits are in accordance with statutory authority at December 31, 2006.

**Long-Term Investments** - The Township's policy does not address investments other than short-term highly liquid assets.

**Interest Rate Risk** - It is the objective of the Township to maintain safety of principal of its funds, maintain a diversified portfolio, maintain sufficient liquidity to meet operating requirements, and to obtain a market average rate of return. The Township is not exposed to interest rate risk.

**Credit Risk** - State statute allows for the deposit of funds into financial institutions provided those institutions are a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in the State of Michigan under the laws of Michigan or the United States.

**Concentration of Credit Risk** - Assets shall be diversified to eliminate the risk of loss from over concentration in a specific maturity, individual financial institutions, or a specific class of securities. The Township is not exposed to concentration of credit risk.

**Custodial Credit Risk** - The Township is authorized to invest in pre-qualifying financial institutions, brokers, dealers, intermediaries, and advisors with whom the Township will do business. The portfolio will be diversified so that the impact on the investment portfolio resulting from losses on individual securities will be minimized. As of December 31, 2006, the Township's funds were deposited in eleven institutions meeting these requirements. As of December 31, 2006, \$13,365 of the government's bank balance of \$382,117 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	13,365
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**NOTE 3 - BUDGET INFORMATION**

The annual budget is prepared by the Police Department management and adopted by the Police Commission; subsequent amendments are approved by the Police Commission. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2006 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Notes to Financial Statements  
December 31, 2006**

**NOTE 3 - BUDGET INFORMATION - Continued**

The budget statement (statement of revenues, expenditures, and changes in fund balance - budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Police Commission is included in the financial statements.

**NOTE 4 - DEFINED BENEFIT PENSION PLAN**

**Plan Description** - The Police Department participates with the Village of Berrien Springs in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Village and Police Department. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report can be obtained by writing to the System at 447 N. Canal Rd., Lansing, Michigan 48917.

**Funding Policy** - The obligation to contribute to and maintain the System for police employees was established by negotiation with Police Department management and requires a contribution from the employees of 1.00 percent of gross wages. For the year ended December 31, 2006, the Department's annual pension cost was \$27,265.

**NOTE 5 - RISK MANAGEMENT**

The Police Department is exposed to various risks of loss relating to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Police Department participates in the Michigan Municipal League risk pool for claims relating to all risks.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 6 - VACATION AND SICK PAY**

Vacation and sick pay are expensed when paid. Vacation pay does not accumulate beyond the current year. Unused sick leave accumulates from year to year up to a maximum of one hundred twenty (120) days. When an employee retires under the employer's retirement program, he or she shall be entitled to be paid one-half of his or her accumulated sick leave as of the date of retirement.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP**  
**POLICE DEPARTMENT**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 7 - EXPENDITURES OVER BUDGET**

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the Police Department was adopted on a line item level. During the year ended December 31, 2006, the Police Department was over budget in the following areas:

	<u><b>Budgeted Amount</b></u>	<u><b>Actual Amount</b></u>	<u><b>Over Budget</b></u>
Uniforms and cleaning	\$ 7,000	\$ 7,785	\$ 785
Repairs and maintenance - equipment	18,500	20,555	2,055

**NOTE 8 - JOINT VENTURES**

On July 6, 1971, the Village of Berrien Springs and Oronoko Charter Township entered into a mutual police assistance agreement for the purpose of the establishment of an inter-municipal police authority and to provide police services for both the Village and the Township.

On November 14, 2006, the Township Board voted to terminate the agreement and the Township Board assumed control of and responsibility for police protection and services. A separate audit is being issued for the police department for the year ended December 31, 2006. For the year ending December 31, 2007, the police operations will be reported as a special revenue fund of the Township.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
Governmental Funds  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 750,000	\$ 750,000	\$ 751,527	\$ 1,527
Interest	15,000	15,000	22,710	7,710
Police service reimbursements	900	900	1,373	473
Fines	2,000	2,000	585	(1,415)
Liquor license	2,600	2,600	2,517	(83)
Safe and sober	500	500	289	(211)
Drug forfeiture	6,000	6,000	928	(5,072)
Miscellaneous	12,100	12,100	11,082	(1,018)
Total Revenues	<u>\$ 789,100</u>	<u>\$ 789,100</u>	<u>\$ 791,011</u>	<u>\$ 1,911</u>
<b>Expenditures:</b>				
Salaries	\$ 443,000	\$ 433,000	\$ 430,432	\$ 2,568
Payroll taxes	34,050	34,050	31,243	2,807
Fringe benefits	105,320	95,350	93,531	1,819
Retirement	26,000	31,000	27,265	3,735
Workmen's compensation	7,500	11,000	10,786	214
Supplies	6,200	6,200	5,010	1,190
Uniforms and cleaning	6,130	7,000	7,785	(785)
Audit	5,000	5,000	4,105	895
Bookkeeping	5,000	6,800	6,484	316
Legal	13,000	13,000	10,804	2,196
Dues and subscriptions	7,200	7,200	4,212	2,988
Telephone	8,000	8,000	7,323	677
Gasoline and oil	15,000	27,500	27,133	367
Travel	3,100	3,100	2,591	509
Conference and workshops	6,000	6,000	5,814	186
Printing and publishing	1,200	1,200	305	895
Insurance	37,000	37,000	34,558	2,442
Utilities	7,700	7,700	5,973	1,727
Repairs and maintenance - building	3,000	4,200	3,936	264
Repairs and maintenance - equipment	21,500	18,500	20,555	(2,055)
Capital outlay	25,000	23,100	14,602	8,498
Miscellaneous	3,200	3,200	3,057	143
Total Expenditures	<u>\$ 789,100</u>	<u>\$ 789,100</u>	<u>\$ 757,504</u>	<u>\$ 31,596</u>
Net Change in Fund Balances	\$ -	\$ -	\$ 33,507	\$ 33,507
Fund Balances - Beginning of Year	<u>321,674</u>	<u>321,674</u>	<u>321,674</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 321,674</u>	<u>\$ 321,674</u>	<u>\$ 355,181</u>	<u>\$ 33,507</u>

**BERRIEN SPRINGS - ORONOKO TOWNSHIP  
POLICE DEPARTMENT  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended December 31, 2006  
With Comparative Actual Amounts for the Year Ended December 31, 2005**

	<u>Totals</u>	
	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>		
Taxes	\$ 751,527	\$ 541,261
Interest	22,710	15,559
Police service reimbursements	1,373	6,563
Fines	585	712
Liquor license	2,517	2,536
Safe and sober	289	703
Drug forfeiture	928	6,553
Insurance proceeds	-	6,500
Miscellaneous	<u>11,082</u>	<u>25,199</u>
Total Revenues	<u>\$ 791,011</u>	<u>\$ 605,586</u>
<b>Expenditures:</b>		
Salaries	\$ 430,432	\$ 431,448
Payroll taxes	31,243	32,071
Fringe benefits	93,531	92,686
Retirement	27,265	26,198
Workmen's compensation	10,786	10,489
Supplies	5,010	4,387
Uniforms and cleaning	7,785	4,327
Audit	4,105	5,030
Bookkeeping	6,484	6,223
Legal	10,804	16,322
Dues and subscriptions	4,212	4,608
Telephone	7,323	7,177
Gasoline and oil	27,133	9,965
Travel	2,591	2,828
Conference and workshops	5,814	5,984
Printing and publishing	305	316
Insurance	34,558	34,058
Utilities	5,973	7,162
Repairs and maintenance - building	3,936	4,067
Repairs and maintenance - equipment	20,555	20,098
Capital outlay	14,602	18,639
Miscellaneous	<u>3,057</u>	<u>7,490</u>
Total Expenditures	<u>\$ 757,504</u>	<u>\$ 751,573</u>
Net Change in Fund Balances	\$ 33,507	\$ (145,987)
Fund Balances - Beginning of Year	<u>321,674</u>	<u>467,661</u>
FUND BALANCES - END OF YEAR	<u>\$ 355,181</u>	<u>\$ 321,674</u>

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

February 22, 2007

Police Commission  
Berrien Springs - Oronoko Township Police Department  
Berrien Springs, Michigan

In connection with our audit of the books and records of Berrien Springs - Oronoko Township Police Department for the year ended December 31, 2006, we offer the following comment and recommendation.

1. On November 14, 2006, the Township voted to terminate the mutual police assistance agreement with the Village of Berrien Springs and assume control of and responsibility for police protection and services. For the year ended December 31, 2006, we have audited the Police Department as a separate entity. Beginning with fiscal year 2007, the Police Department will be reported as a special revenue fund in the Township's financial statements.

We appreciate the courtesy and cooperation extended to us by the officials and employees of the Berrien Springs - Oronoko Township Police Department and trust that these comments and suggestions will be received in the spirit of cooperation in which they are offered.

Very truly yours,

*Gerbel & Company, P.C.*  
GERBEL & COMPANY, P.C.  
Certified Public Accountants

**Right. On time.**

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